

# SPOTLIGHT

A publication focusing on loss prevention information from the Risk Management Division of Washington State's Office of Financial Management

RISK MANAGEMENT DIVISION  
OFFICE OF FINANCIAL MANAGEMENT

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## SCORING AN ERM TOUCHDOWN

The spring and summer 2006 editions of this newsletter introduced the hot button topic of enterprise risk management (ERM). So far, we have examined what ERM is and why agencies should care about it. We also chronicled the Washington State Investment Board's already successful journey in moving ERM from concept to practice.

But how does any agency put the "ERM football" into play. The following are a few basic "game strategies" or steps to help agencies score ERM points.



### Establish the Goal Post by Defining ERM

The agency enterprise risk management game plan begins with a solid understanding of the concept. Defining ERM helps establish the "team motto" and sets direction. ERM definitions run the gamut from Coso's (Committee of Sponsoring Organizations of the Treadway Commission) version shown on page two, to the following more succinct versions below.

► ERM is a process, effected by an agency's top management/other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the agency, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

► A rigorous approach to assessing and addressing the risks from all sources that threaten the achievement of an organization's strategic objectives.



### Recruit a Winning Risk Evaluation Team

Gather a focus or internal group or "team" consisting of risk-savvy staff from each area of the agency (divisions, departments or functions). Don't forget to include members from small programs that may produce high risk for the agency. The ERM model embraces the management principle of breaking down "silos" that exist in organization so that risk is addressed holistically or "enterprise-wide".



### Kick Off the ERM Game Plan Using Risk Self-Assessment

1. Brainstorm and list any event (risk) that could interfere with the ability to carry out your agency's mission.
2. Prioritize the risks from high to low. Plot out the risk assessment strategy by using a [risk priority chart](#).
3. Identify and develop responses for the high risks first.
4. Establish an aggressive time line and designate accountable staff to help ensure the risk responses are carried out.
5. Identify and develop responses for the moderate and low risks and carry out step 4 above for them.

When steps 1 through 5 are completed, the agency ERM "game" is under way.

(continued on page 2)

## Commercial Insurance Update

### Self Insurance Liability Program Summary of Coverage

#### COVERAGE

The liability account is used to pay tort claims, judgements, and settlements arising from general liability and vehicle accidents for which the state is found to be wholly or partially negligent. Coverage is provided for claims arising from bodily injury, personal injury, and property damage to a third party, including:

- bodily injury or property damage to a state employee or third party
- vehicle liability
- public officials liability
- liquor liability
- violations of civil rights
- sudden and accidental pollution
- certain areas of medical malpractice
- marine docks, quays, shore-side facilities, floats, and buoys, and vessels that are a maximum of 26 feet in length and which are human powered or a maximum of 50 horsepower motors.

#### EXCLUSIONS

Excludes and will not pay claims arising from the following, including self-insurance retention and deductibles:

- marine hull and protection and indemnity exposures relative to vessel operations
- marine hull and protection and indemnity, docks, quays, shoreside facilities, floats and buoys relative to the DOT Marine Division
- aircraft and aviation hull liability exposures
- employee fidelity
- damage to state owned facilities and property
- foreign liability
- intercollegiate athletic activities
- student sponsored events
- injuries to employees under workers' compensation, U.S. Longshore, and Harborworker's or Jones Act
- student medical malpractice during required practicum under outside hospital supervision
- University of Washington and Medical School

## CLAIMS

## CORNER

## RMIS Update

The Risk Management Division's (RMD) Risk Management Information System (RMIS) project's next phase involves identifying functions needed for proactively managing risk using the "event reporting module". This

exciting phase provides an opportunity for RMD to involve agencies. While the iVOS module is typically used for on-line reporting of incident/injuries (events) and management of these events before they turn into claims, it also provides for recording events that *never turn into claims*.

This feature is valuable when investigation work is required to learn more about the event, or before determining responsible parties prior to it turning into a claim. Events that never turn into claims (and the event recording system) can provide highly valuable information to agency risk or safety managers and benefit in the following ways:

- ✓ They provide more data for help in identifying exposures and high risk areas so that loss prevention activities such as training and improving conditions can be established to prevent claims from reoccurring.
- ✓ It streamlines the intake process by allowing incidents to be *reported online*.
- ✓ The *event report form* is browser-based and can be customized to lead client users through a series of pre-determined reflexive questions, dynamically changing to allow for elaboration of the event.
- ✓ Upon completion of the event report and clicking the "submit" button, the information is saved into the event table in the iVOS database, creating an event file.
- ✓ A user-defined workflow process can be added to coordinate information from multiple people and departments. This allows for further investigation and information gathering from supervisors or facility managers about the event prior to converting the event to a "claim".

Watch "Claims Corner" for future RMIS updates or contact project coordinator Joan Mackey for more information at [Joan.mackey@ofm.wa.gov](mailto:Joan.mackey@ofm.wa.gov) or 360 902-0528.

## Scoring an ERM Touchdown (cont.)



## Additional Game Strategies for Advancing the ERM Goal Post

1. Successful ERM **must have the support of top management**. Before starting the risk self-assessment process, seek and secure absolute commitment from agency directors and assistant directors.
2. Establish an ongoing **ERM steering committee** (members from the initial risk self-assessment process will likely play a role). Require the committee to meet on a *regular basis* to discuss losses and identify new risks.
3. Develop an annual risk assessment questionnaire process to be completed by all employees.
4. If possible, create a full time position for the agency risk manager. ERM requires attention. Remember that the core function of ERM is helping the agency to achieve its strategic objectives.
5. Have a process in place to ensure accountability for losses. Require the accountable people to respond to losses with a report on "why did this happen?" and "how can it be prevented from happening again?"
6. Concentrate on helping the entire organization shift its focus away from crisis response and toward *preventative* action.

*Enterprise risk management is a process effected by an entity's board of directors, management and other personnel, applied in strategy settings and across the enterprise, designed to identify potential events that may effect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.*

- COSO ERM Definition



## Sideline Coaching

Another way to both explore and increase understanding of ERM is by examining the enterprise risk management assessment maturity model developed by the Risk Management Division to assist agencies.

Future issues of *Spotlight* will address these important risk assessment "plays". The next issue will feature incident review.

## LEGAL LINKS



## Electronic Discovery: Relevant Documents to Protect

In litigation, potentially relevant documents (including electronically stored information) to be protected from destruction may include the following:

- official file material
- non-official file material
- drafts
- notes
- computer and server file material
- email
- audio, video or other recordings
- drawings or photographs
- USB drives, floppy or zip drive disks, CD/DVD disks, remote hard drives and other drive media (including privately owned devices used for agency business)

**Disclaimer:** *This is not legal advice and should not be used as legal advice. It is merely a general educational item that may be of use to risk management efforts within state agencies.*

**RMD STAFF FOCUS**

The Risk Management and Contracts

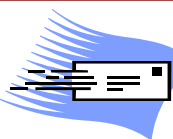
Division welcomed Lillian Austin in October 2006. Lillian is the administrative assistant to Lucy Isaki, Sr. Assistant Director, as well as serving in a variety of administrative oversight, support, and assistance roles for



the Risk Management Division.

Lillian began her administrative assistant career with the Department of Licensing in 1988, continuing to take on increasingly challenging roles as she moved to the Office of Insurance Commissioner and then to the Office of Financial Management, working with the Salmon Recovery office and Labor Relations programs. Her most recent position was in the Governor's Office Quality program, working with Government Management Accountability Performance (GMAP).

Lillian and husband Gil have five grown children, of which two are located in the northwest area, two in Florida, and one in the Peace Corps in Kazakhstan. Lillian enjoys gardening, reading, and spending time with her husband and two dogs at their Harstine Island cabin.

**Fast Fact:**

The Washington Traffic Safety Commission (WTSC) released its *Washington State Highway Safety Performance Plan 2007*. The revised October 2, 2006 plan details the WTSC's primary goals, which include:

**Short term:** Reduce the number of deaths and serious injuries that result from traffic crashes.

**Long-term:** Eliminate all deaths and disabling injuries resulting from traffic crashes by the year 2030. Target Zero.

To review the entire plan, visit the WTSC website at <http://www.wtsc.wa.gov/>.

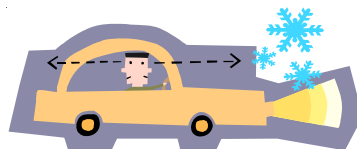
**15-Passenger Van Update**

OFM's Loss Prevention Review Team (LPRT) program conducted a review of two unrelated 15-passenger van accidents that occurred in late 2003 and early 2004, issuing a report in October 2005.

The report included loss prevention recommendations for the affected agencies and OFM pertaining to statewide policies. The most significant recommendation addressed phase-out of 15-passenger van vehicles for the purpose of transporting passengers (see the report at [http://](http://www.ofm.wa.gov/rmd/lprt/reports.asp)

[www.ofm.wa.gov/rmd/lprt/reports.asp](http://www.ofm.wa.gov/rmd/lprt/reports.asp).)

OFM formed a focus group of agencies to provide feedback on proposed changes to van requirements in the State Administrative and Accounting Manual (SAAM-Chapter 12 Transportation). An update of proposed SAAM revisions will be distributed to all agency risk managers in January 2007. Watch Risk Management's *Highlights* for updates on van policy revisions.

**Safety FIRST in Winter Driving**

*Winter weather conditions hit the Northwest early this year with a sudden blast of weather potpourri that bears dusting off the winter safety driving tips for review.*

- Before winter travel, prepare the vehicle for the conditions ahead, checking: anti-freeze, battery, lights, wiper blades, and windshield washer fluid.
- Then prepare yourself by planning ahead before traveling. Postpone trips when possible or explore alternative methods of conducting business during extreme weather conditions, thus avoiding the travel risk. If travel is essential, plan plenty of time to reach your destination, factoring in slower speeds and potential delays.
- Check the DOT website for current information on weather and mountain pass conditions at <http://wsdot.wa.gov/traffic/>. Carry extra blankets, food, and water should the passes close unexpectedly.
- Before heading out, clean all snow/ice-covered windows. Visibility needs to be increased, not lessened with only a small peep hole carved from ice/snow accumulations on windshields.
- **SLOW DOWN!** It's the most critical safety tip on this list for wet, icy or snowy conditions. *Remember:* Posted speed limits are for dry, *ideal* conditions only! And, don't forget to leave more following distance between you and the vehicle in front of you.
- Be extra cautious when traveling over bridges during freezing, foggy conditions. The roadway may appear clear, but in reality the bridge deck may be iced up since it is suspended off the ground.
- Don't be over-confident if operating a four-wheel drive vehicle. You may be able to start off from a stopped position faster, but you won't be able to stop any faster with the four-wheeled vehicle.
- Studded tires are considered an approved traction tire, but can only be used from November 1st to March 31st.
- If involved in a snow/ice caused collision, stay in your vehicle, and steer clear to the shoulder of the roadway if possible. Stay in your vehicle while waiting for law enforcement to arrive. Other drivers are experiencing the same hazardous conditions. Should they lose control, you are afforded better protection in the vehicle than outside should a vehicle veer toward you.